

OSAGE CITY UNIFIED SCHOOL DISTRICT NO. 420

STATUTORY BASIS FINANCIAL STATEMENTS
For the year ended June 30, 2011

And

INDEPENDENT AUDITORS' REPORTS

Long CPA, PA
A Professional Association
Certified Public Accountants

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report on Financial Statements | 1-2 |
| Statement 1 | |
| Summary of Cash Receipts, Expenditures and Unencumbered Cash | 3 |
| Statement 2 | |
| Summary of Expenditures - Actual and Budget | 4 |
| Statement 3 | |
| Statement of Cash Receipts and Expenditures - Actual and Budget | |
| General Fund | 5 |
| Supplemental General Fund | 6 |
| Vocational Education Fund | 7 |
| Special Education Fund | 8 |
| Food Service Fund | 9 |
| Capital Outlay Fund | 10 |
| Recreation Commission | 11 |
| Professional Development Fund | 12 |
| KPERs Contribution Fund | 13 |
| At-Risk - K-12 Fund | 14 |
| Bond And Interest Fund | 15 |
| Statement of Cash Receipts and Expenditures - Any Nonbudgeted Funds | 16-17 |
| Statement 4 | |
| Statement of Cash Receipts and Cash Disbursements - Agency Funds | 18 |
| Statement 5 | |
| Statement of Cash Receipts, Expenditures and Unencumbered Cash - District Activity Funds | 19 |
| Notes to Financial Statements | 20-31 |
| Federal Program Reports and Schedules | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 32-33 |
| Independent Auditors' Report on Compliance with Requirements Applicable | |

OSAGE CITY UNIFIED SCHOOL DISTRICT NO. 420

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| to Each Major Program and on Internal Control Over Compliance in Accordance with OMB A-133 | 34-35 |
| Schedule 1 | |
| Schedule of Expenditures of Federal Awards | 36 |
| Schedule 2 | |
| Schedule of Findings and Questioned Costs | 37 |
| Notes to Schedule of Expenditures of Federal Awards | 38-39 |

Board of Education
Unified School District No. 420
Osage City, Kansas 66523

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

We have audited the financial statements of Unified School District No. 420, Osage City, Kansas, as of and for the year ended June 30 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Kansas Municipal Audit Guide and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, Unified School District No. 420 has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 420 as of June 30, 2011, or the changes in its financial position for the year then ended.

In our opinion the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Unified School District No. 420, as of June 30, 2011, and its cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2011, on our consideration of Unified School District No. 420's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Unified School District No. 420's basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of findings and questioned costs are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Unified School District No. 420. The schedule of expenditures of federal awards and schedule of findings and questioned costs have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Long CPA, PA".

Long CPA, PA
A Professional Association
Certified Public Accountant

October 7, 2011

USD #420 OSAGE CITY, KANSAS

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2011

| Funds | Beginning Unencumbered Cash Balance | Prior Year Cancelled Encumbrances | Cash Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Outstanding Encumbrances and Accounts Payable | Ending Cash Balance |
|--------------------------------|-------------------------------------|-----------------------------------|---------------------|---------------------|----------------------------------|---|---------------------|
| Governmental Type Funds | | | | | | | |
| General Funds | | | | | | | |
| General | \$ (431,425) | 0 | 4,897,126 | 4,855,502 | \$ (389,801) | 10,317 | \$ (379,484) |
| Supplemental General | (74,804) | 0 | 805,588 | 735,000 | (4,216) | 130,500 | 126,284 |
| Special Revenue Funds | | | | | | | |
| Vocational Education | 20,000 | 0 | 45,000 | 61,348 | 3,652 | 7,736 | 11,388 |
| Special Education | 225,964 | 0 | 699,163 | 880,992 | 44,135 | | 44,135 |
| Food Service | 38,985 | 0 | 329,646 | 352,194 | 16,437 | 573 | 17,010 |
| Capital Outlay | 756,199 | 0 | 145,804 | 266,684 | 635,319 | 15,060 | 650,379 |
| Recreation Commission | 0 | 0 | 7 | 7 | 0 | | 0 |
| Professional Development | 46,605 | 0 | 16,711 | 16,711 | 29,894 | 250 | 30,144 |
| KPERS Special Contribution | 0 | 0 | 221,306 | 221,306 | 0 | | 0 |
| At Risk (K-12) | 0 | 0 | 413,645 | 413,645 | 0 | 109 | 109 |
| District Activity Funds | 25,483 | 0 | 71,372 | 75,275 | 21,580 | | 21,580 |
| Contingency Reserve Fund | 377,105 | 0 | 0 | 0 | 377,105 | | 377,105 |
| Title I | 5,987 | 0 | 162,759 | 135,019 | 33,727 | 588 | 34,315 |
| Title IID - Ed Tech | 0 | 0 | 2,636 | 2,636 | 0 | 2,514 | 2,514 |
| Title IIA - Teacher Quality | 0 | 0 | 29,207 | 29,207 | 0 | 396 | 396 |
| Learning Tree Grant | 2,731 | 0 | 0 | 590 | 2,141 | | 2,141 |
| Debt Service Funds | | | | | | | |
| Bond and Interest Fund | 509,124 | 0 | 451,663 | 493,710 | 467,077 | | 467,077 |
| Total Reporting Entity | \$ 1,501,954 | 0 | \$ 8,274,922 | \$ 8,539,826 | \$ 1,237,050 | \$ 168,043 | \$ 1,405,093 |
| Composition of Cash | | | | | | | |
| Checking Accounts | | | | | | | \$ (511,091) |
| Savings Accounts | | | | | | | 1,951,804 |
| Petty Cash | | | | | | | 950 |
| Municipal Investment Pool | | | | | | | - |
| Total Cash | | | | | | | 1,441,663 |
| Agency Funds per Statement 4 | | | | | | | 36,570 |
| Total Reporting Entity | | | | | | | \$ 1,405,093 |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2011

Statement 2

| Funds | Certified Budget | Adjustments to Comply with Legal Max | Adjustments for Qualifying Budget Credits | Total Budget for Comparison | Expenditures Chargeable to Current Year | Variance - Favorable (Unfavorable) |
|--------------------------------|---------------------|--|---|-----------------------------------|---|--|
| Governmental Type Funds | | | | | | |
| General Funds | | | | | | |
| General | \$ 4,989,323 | \$ (133,821) | \$ 0 | \$ 4,855,502 | \$ 4,855,502 | \$ 0 |
| Supplemental General | 735,000 | 0 | 0 | 735,000 | 735,000 | 0 |
| Special Revenue Funds | | | | | | |
| Vocational Education | 80,000 | 0 | 0 | 80,000 | 61,348 | 18,652 |
| Special Education | 1,368,525 | 0 | 0 | 1,368,525 | 880,992 | 487,533 |
| Food Service | 366,983 | 0 | 0 | 366,983 | 352,194 | 14,789 |
| Capital Outlay | 670,000 | 0 | 0 | 670,000 | 266,684 | 403,316 |
| Recreation Commission | 200 | 0 | 0 | 200 | 7 | 193 |
| Professional Development | 46,605 | 0 | 0 | 46,605 | 16,711 | 29,894 |
| KPERS Special Contribution | 287,418 | 0 | 0 | 287,418 | 221,306 | 66,112 |
| At-Risk Fund (K-12) | 477,829 | 0 | 0 | 477,829 | 413,645 | 64,184 |
| Debt Service Funds | | | | | | |
| Bond and Interest | 493,810 | 0 | 0 | 493,810 | 493,710 | 100 |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | <u>Variance- Favorable (Unfavorable)</u> |
|--|---------------------|---------------------|--|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 459,451 | \$ 439,129 | \$ 20,322 |
| Delinquent tax | 10,447 | 5,507 | 4,940 |
| Motor vehicle tax | | | 0 |
| RV tax | | | 0 |
| Mineral production tax | | | 0 |
| Federal grants | 227,893 | 82,840 | 145,053 |
| State aid/grants | 4,199,335 | 4,461,847 | (262,512) |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | 0 | | 0 |
| Operating transfers | | | 0 |
| | <u>4,897,126</u> | <u>4,989,323</u> | <u>(92,197)</u> |
| EXPENDITURES | | | |
| Instruction | 2,166,820 | 2,002,347 | (164,473) |
| Student support services | 152,679 | 146,080 | (6,599) |
| Instruction support staff | 190,091 | 187,733 | (2,358) |
| General administration | 149,385 | 135,900 | (13,485) |
| School administration | 346,815 | 320,811 | (26,004) |
| Operations and maintenance | 731,290 | 486,975 | (244,315) |
| Student transportation services | 129,584 | 101,846 | (27,738) |
| Central support services | | | 0 |
| Other support services | 117,090 | 52,319 | (64,771) |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | 871,748 | 1,555,312 | 683,564 |
| Adjustment to comply with legal max | | (133,821) | (133,821) |
| Adjustment for qualifying budget credits | | 0 | 0 |
| | <u>4,855,502</u> | <u>\$ 4,855,502</u> | <u>\$ 0</u> |
| Receipts Over (Under) Expenditures | 41,624 | | |
| Unencumbered Cash, Beginning | (431,425) | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ (389,801)</u> | | |

See Note 11 (cash basis exception)

See Note 12 (statutory presentation)

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
 SUPPLEMENTAL GENERAL FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | Variance- Favorable (Unfavorable) |
|--|-------------------|-------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 325,746 | \$ 364,498 | \$ (38,752) |
| Delinquent tax | 5,725 | 3,257 | 2,468 |
| Motor vehicle tax | 34,327 | 38,336 | (4,009) |
| RV tax | 589 | 639 | (50) |
| Mineral production tax | | | 0 |
| Federal grants | 0 | | 0 |
| State aid/grants | 439,201 | 389,829 | 49,372 |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| | <u>805,588</u> | <u>796,559</u> | <u>9,029</u> |
| EXPENDITURES | | | |
| Instruction | 403,940 | 604,922 | 200,982 |
| Student support services | | 0 | 0 |
| Instruction support staff | | | 0 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | | 0 | 0 |
| Student transportation services | | | 0 |
| Central support services | | | 0 |
| Other support services | | | 0 |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | 331,060 | 130,078 | (200,982) |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| | <u>735,000</u> | <u>\$ 735,000</u> | <u>\$ 0</u> |
| Receipts Over (Under) Expenditures | 70,588 | | |
| Unencumbered Cash, Beginning | (74,804) | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ (4,216)</u> | | |

See Note 11 (cash basis exception)

See Note 12 (statutory presentation)

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
 VOCATIONAL EDUCATION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | <u>Variance- Favorable (Unfavorable)</u> |
|--|-----------------|------------------|--|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ | \$ | \$ 0 |
| Delinquent tax | | | 0 |
| Motor vehicle tax | | | 0 |
| RV tax | | | 0 |
| Federal grants | | | 0 |
| State aid/grants | | | 0 |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | <u>45,000</u> | <u>60,000</u> | <u>(15,000)</u> |
| Total Cash Receipts | <u>45,000</u> | <u>60,000</u> | <u>(15,000)</u> |
| EXPENDITURES | | | |
| Instruction | 61,348 | 77,000 | 15,652 |
| Student support services | | | 0 |
| Instruction support staff | | | 0 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | | | 0 |
| Student transportation services | | | 0 |
| Central support services | | | 0 |
| Other support services | | 3,000 | 3,000 |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | | | 0 |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| Total Expenditures | <u>61,348</u> | <u>\$ 80,000</u> | <u>\$ 18,652</u> |
| Receipts Over (Under) Expenditures | (16,348) | | |
| Unencumbered Cash, Beginning | 20,000 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 3,652</u> | | |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
SPECIAL EDUCATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | <u>Variance- Favorable (Unfavorable)</u> |
|--|------------------|---------------------|--|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ | \$ | \$ 0 |
| Delinquent tax | | | 0 |
| Motor vehicle tax | | | 0 |
| RV tax | | | 0 |
| Federal grants | | | 0 |
| State aid/grants | | | 0 |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | <u>699,163</u> | <u>1,142,561</u> | <u>(443,398)</u> |
| Total Cash Receipts | <u>699,163</u> | <u>1,142,561</u> | <u>(443,398)</u> |
| EXPENDITURES | | | |
| Instruction | 849,709 | 1,268,525 | 418,816 |
| Student support services | | | 0 |
| Instruction support staff | | | 0 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | | | 0 |
| Student transportation services | 31,283 | 100,000 | 68,717 |
| Central support services | | | 0 |
| Other support services | | | 0 |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | | | 0 |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| Total Expenditures | <u>880,992</u> | <u>\$ 1,368,525</u> | <u>\$ 487,533</u> |
| Receipts Over (Under) Expenditures | (181,829) | | |
| Unencumbered Cash, Beginning | 225,964 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 44,135</u> | | |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
 FOOD SERVICE FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

| | Actual | Budget | Variance- Favorable (Unfavorable) |
|--|-----------|------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ | \$ | \$ 0 |
| Delinquent tax | | | 0 |
| Motor vehicle tax | | | 0 |
| RV tax | | | 0 |
| Federal grants | 175,792 | 151,363 | 24,429 |
| State aid/grants | 3,517 | 2,763 | 754 |
| Charges for services | 105,133 | 98,873 | 6,260 |
| Interest income | | | 0 |
| Miscellaneous revenues | 204 | 40,000 | (39,796) |
| Operating transfers | 45,000 | 35,000 | 10,000 |
| Total Cash Receipts | 329,646 | 327,999 | 1,647 |
| EXPENDITURES | | | |
| Instruction | | | 0 |
| Student support services | | | 0 |
| Instruction support staff | | | 0 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | 478 | 40,563 | 40,085 |
| Student transportation services | | | 0 |
| Central support services | | | 0 |
| Other support services | | | 0 |
| Food service operations | 351,716 | 326,420 | (25,296) |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | | | 0 |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| Total Expenditures | 352,194 | \$ 366,983 | \$ 14,789 |
| Receipts Over (Under) Expenditures | (22,548) | | |
| Unencumbered Cash, Beginning | 38,985 | | |
| Prior Year Cancelled Encumbrances | | | |
| Unencumbered Cash, Ending | \$ 16,437 | | |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
CAPITAL OUTLAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | Variance- Favorable (Unfavorable) |
|--|-------------------|-------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 105,049 | \$ 101,048 | \$ 4,001 |
| Delinquent tax | 2,715 | 1,269 | 1,446 |
| Motor vehicle tax | 13,678 | 15,282 | (1,604) |
| RV tax | 235 | 255 | (20) |
| Flood control | 330 | | |
| Federal grants | | | 0 |
| State aid/grants | | | 0 |
| Charges for services | | | 0 |
| Interest income | 6,218 | | 6,218 |
| Miscellaneous revenues | 17,579 | | 17,579 |
| Operating transfers | | | 0 |
| | <u>145,804</u> | <u>117,854</u> | <u>27,620</u> |
| EXPENDITURES | | | |
| Instruction | 104,731 | 150,000 | 45,269 |
| Student support services | | | 0 |
| Instruction support staff | | | 0 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | | | 0 |
| Student transportation services | 161,953 | 70,000 | (91,953) |
| Central support services | | | 0 |
| Other support services | | | 0 |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | 450,000 | 450,000 |
| Debt service | | | 0 |
| Operating transfers | | | 0 |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| | <u>266,684</u> | <u>\$ 670,000</u> | <u>\$ 403,316</u> |
| Receipts Over (Under) Expenditures | (120,880) | | |
| Unencumbered Cash, Beginning | 756,199 | | |
| Prior Year Cancelled Encumbrances | | | |
| Unencumbered Cash, Ending | <u>\$ 635,319</u> | | |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
RECREATION COMMISSION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | Variance- Favorable (Unfavorable) |
|--|---------------|---------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ | \$ | \$ |
| Delinquent tax | 7 | 200 | (193) |
| Motor vehicle tax | | | 0 |
| RV tax | | | 0 |
| Federal grants | | | 0 |
| State aid/grants | | | 0 |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| | <u>7</u> | <u>200</u> | <u>(193)</u> |
| Total Cash Receipts | | | |
| EXPENDITURES | | | |
| Instruction | | | 0 |
| Student transportation services | | | 0 |
| Instruction support staff | | | 0 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | | | 0 |
| Student support services | | | 0 |
| Central support services | | | 0 |
| Other support services | | | 0 |
| Food service operations | | | 0 |
| Community service operations | 7 | 200 | 193 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | | | 0 |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| | <u>7</u> | <u>200</u> | <u>193</u> |
| Total Expenditures | | | |
| Receipts Over (Under) Expenditures | 0 | | |
| Unencumbered Cash, Beginning | 0 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | \$ <u>0</u> | | |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
PROFESSIONAL DEVELOPMENT FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | <u>Variance- Favorable (Unfavorable)</u> |
|--|------------------|------------------|--|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ | \$ | \$ |
| Delinquent tax | | | 0 |
| Motor vehicle tax | | | 0 |
| RV tax | | | 0 |
| Federal grants | | | 0 |
| State aid/grants | | | 0 |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Cash Receipts | | | |
| EXPENDITURES | | | |
| Instruction | | | 0 |
| Student support services | | | 0 |
| Instruction support staff | 16,711 | 46,605 | 29,894 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | | | 0 |
| Student transportation services | | | 0 |
| Central support services | | | 0 |
| Other support services | | | 0 |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | | | 0 |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| | <u>16,711</u> | <u>\$ 46,605</u> | <u>\$ 29,894</u> |
| Total Expenditures | | | |
| Receipts Over (Under) Expenditures | (16,711) | | |
| Unencumbered Cash, Beginning | 46,605 | | |
| Prior Year Cancelled Encumbrances | | | |
| | <u>\$ 29,894</u> | | |
| Unencumbered Cash, Ending | | | |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
 KPERS SPECIAL RETIREMENT CONTRIBUTION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | Variance- Favorable (Unfavorable) |
|--|-----------------------------|-----------------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ | \$ | \$ 0 |
| Delinquent tax | | | 0 |
| Motor vehicle tax | | | 0 |
| RV tax | | | 0 |
| Federal grants | | | 0 |
| State aid/grants | 221,306 | 287,418 | (66,112) |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Cash Receipts | <u>221,306</u> | <u>287,418</u> | <u>(66,112)</u> |
| EXPENDITURES | | | |
| Instruction | 146,723 | 171,359 | 24,636 |
| Student support services | 5,242 | 8,000 | 2,758 |
| Instruction support staff | 12,436 | 29,000 | 16,564 |
| General administration | 6,651 | 9,000 | 2,349 |
| School administration | 18,690 | 25,000 | 6,310 |
| Operations and maintenance | 14,535 | 20,000 | 5,465 |
| Student transportation services | 3,350 | 6,443 | 3,093 |
| Central support services | | | 0 |
| Other support services | 6,420 | 9,616 | 3,196 |
| Food service operations | 7,259 | 9,000 | 1,741 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | | | 0 |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Expenditures | <u>221,306</u> | <u>\$ 287,418</u> | <u>\$ 66,112</u> |
| Receipts Over (Under) Expenditures | 0 | | |
| Unencumbered Cash, Beginning | 0 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 0</u> | | |

The notes to financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
 AT RISK FUND (K-12)
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | Variance- Favorable (Unfavorable) |
|--|----------------|-------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ | \$ | \$ 0 |
| Delinquent tax | | | 0 |
| Motor vehicle tax | | | 0 |
| RV tax | | | 0 |
| Federal grants | | | 0 |
| State aid/grants | | | 0 |
| Charges for services | | | 0 |
| Interest income | | 10,000 | (10,000) |
| Miscellaneous revenues | | 20,000 | (20,000) |
| Operating transfers | <u>413,645</u> | <u>447,829</u> | <u>(34,184)</u> |
| Total Cash Receipts | <u>413,645</u> | <u>477,829</u> | <u>(64,184)</u> |
| EXPENDITURES | | | |
| Instruction | 412,568 | 476,752 | 64,184 |
| Student support services | 1,077 | 1,077 | 0 |
| Instruction support staff | | | 0 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | | | 0 |
| Student transportation services | | | 0 |
| Central support services | | | 0 |
| Other support services | | | 0 |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | | | 0 |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| Total Expenditures | <u>413,645</u> | <u>\$ 477,829</u> | <u>\$ 64,184</u> |
| Receipts Over (Under) Expenditures | 0 | | |
| Unencumbered Cash, Beginning | 0 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 0</u> | | |

The notes to financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
 BOND AND INTEREST FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | Variance- Favorable (Unfavorable) |
|--|-----------------------|-------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 218,534 | \$ 209,948 | \$ 8,586 |
| Delinquent tax | 5,550 | 2,557 | 2,993 |
| Motor vehicle tax | 26,969 | 30,195 | (3,226) |
| RV tax | 463 | 503 | (40) |
| Federal grants | | | 0 |
| State aid/grants | 200,147 | 202,421 | 0 |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| | <u>451,663</u> | <u>445,624</u> | <u>8,313</u> |
| EXPENDITURES | | | |
| Instruction | | | 0 |
| Student support services | | | 0 |
| Instruction support staff | | | 0 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | | | 0 |
| Student transportation services | | | 0 |
| Central support services | | | 0 |
| Other support services | | | 0 |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | 493,710 | 493,810 | 100 |
| Operating transfers | | | 0 |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| | <u>493,710</u> | <u>\$ 493,810</u> | <u>\$ 100</u> |
| Receipts Over (Under) Expenditures | (42,047) | | |
| Unencumbered Cash, Beginning | 509,124 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 467,077</u> | | |

The notes to financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2011

| | <u>Title II-D Ed Tech</u> | <u>Contingency Reserve</u> | <u>Title 1</u> |
|--|-------------------------------|--------------------------------|------------------|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ | \$ | \$ |
| Delinquent tax | | | |
| Motor vehicle tax | | | |
| RV tax | | | |
| Federal grants | 2,636 | | 162,759 |
| State aid/grants | | | |
| Charges for services | | | |
| Interest income | | | |
| Miscellaneous revenues | | | |
| Operating transfers | | | |
| | <u>2,636</u> | <u>0</u> | <u>162,759</u> |
| EXPENDITURES | | | |
| Instruction | 2,636 | | 135,019 |
| Student support services | | | |
| Instruction support staff | | | |
| General administration | | | |
| School administration | | | |
| Operations and maintenance | | | |
| Student transportation services | | | |
| Central support services | | | |
| Other support services | | | |
| Food service operations | | | |
| Student activities | | | |
| Facility acquisition and construction services | | | |
| Debt service | | | |
| Operating transfers | | | |
| Adjustment for qualifying budget credits | | | |
| | <u>2,636</u> | <u>0</u> | <u>135,019</u> |
| Receipts Over (Under) Expenditures | 0 | 0 | 27,740 |
| Unencumbered Cash, Beginning | 0 | 377,105 | 5,987 |
| Prior Year Cancelled Encumbrances | <u>0</u> | <u>0</u> | <u>0</u> |
| Unencumbered Cash, Ending | <u>\$ 0</u> | <u>\$ 377,105</u> | <u>\$ 33,727</u> |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2011

| | <u>Title II-A Teacher Quality</u> | <u>Learning Tree Grant</u> |
|--|---------------------------------------|--------------------------------|
| CASH RECEIPTS | | |
| Taxes and Shared Revenue | | |
| Ad valorem property tax | \$ | \$ |
| Delinquent tax | | |
| Motor vehicle tax | | |
| RV tax | | |
| Federal grants | 29,207 | |
| State aid/grants | | |
| Charges for services | | |
| Interest income | | |
| Miscellaneous revenues | | |
| Operating transfers | | |
| | <hr/> | <hr/> |
| Total Cash Receipts | <u>29,207</u> | <u>0</u> |
| EXPENDITURES | | |
| Instruction | 29,207 | 590 |
| Student support services | | |
| Instruction support staff | | |
| General administration | | |
| School administration | | |
| Operations and maintenance | | |
| Student transportation services | | |
| Central support services | | |
| Other support services | | |
| Food service operations | | |
| Student activities | | |
| Facility acquisition and construction services | | |
| Debt service | | |
| Operating transfers | | |
| Adjustment for qualifying budget credits | | |
| | <hr/> | <hr/> |
| Total Expenditures | <u>29,207</u> | <u>590</u> |
| Receipts Over (Under) Expenditures | 0 | (590) |
| Unencumbered Cash, Beginning | 0 | 2,731 |
| Prior Year Cancelled Encumbrances | <hr/> | <hr/> |
| | 0 | 0 |
| Unencumbered Cash, Ending | <u>\$ 0</u> | <u>\$ 2,141</u> |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KS
 AGENCY FUNDS
 Statement of Cash Receipts and Cash Disbursements
 For the Year Ended June 30, 2011

Statement 4

| Fund | Beginning Cash Balance | Cash Receipts | Cash Disbursements | Ending Cash Balance |
|----------------------------------|---------------------------|----------------------|-----------------------|------------------------|
| Barnes Scholarship | \$ 300 | \$ | \$ | \$ 300 |
| Gamble Scholarship | 6,490 | | 550 | 5,940 |
| Brady Scholarship | 1,750 | | 500 | 1,250 |
| High School | | | | |
| Alumni Gifts | 206 | | | 206 |
| Class of 2010 | 0 | 1,100 | 1,100 | 0 |
| Class of 2011 | 2,000 | 68 | 2,068 | 0 |
| Class of 2012 | 632 | 18,979 | 18,246 | 1,365 |
| Class of 2013 | 100 | 145 | | 245 |
| Class of 2014 | 0 | 85 | | 85 |
| Class of 2015 | 0 | 50 | | 50 |
| Art Club | 1,387 | 458 | 346 | 1,499 |
| Drama Club | 1,564 | 454 | 2,018 | 0 |
| School play | 0 | 2,850 | 1,142 | 1,708 |
| Fellowship of Christian Athletes | 328 | | | 328 |
| HS Chorus | 868 | | | 868 |
| HS Chorus Fundr | 274 | | | 274 |
| Student Council | 683 | 1,417 | 1,377 | 723 |
| Music Fund | 1,530 | 673 | 1,533 | 670 |
| National Forensic League | 2,090 | 1,744 | 1,828 | 2,006 |
| Scholars Bowl | 187 | 210 | 176 | 221 |
| Spanish Club | 483 | 404 | 183 | 704 |
| National Honor Society | 2,908 | 2,610 | 2,967 | 2,551 |
| Key Club | 795 | 769 | 469 | 1,095 |
| Tri M | 0 | | | 0 |
| Cheerleaders | 1,841 | 4,743 | 4,266 | 2,318 |
| Pep Club | 241 | 103 | 46 | 298 |
| Dance Club | 708 | 3,813 | 3,999 | 522 |
| Sales Tax | 0 | 9 | | 9 |
| Middle School | | | | |
| Student Council | 3,060 | 2,551 | 5,509 | 102 |
| Middleschool Cheerleaders | 545 | 4,952 | 5,126 | 371 |
| Builders' Club | 689 | 14,805 | 12,150 | 3,344 |
| Sales Tax | 57 | 1,639 | 1,679 | 17 |
| Elementary School | | | | |
| Student Council | 6,310 | 2,561 | 1,370 | 7,501 |
| Total | \$ <u>38,026</u> | \$ <u>67,192</u> | \$ <u>68,648</u> | \$ <u>36,570</u> |

The notes to the financial statements are an integral part of this statement.

USD #420 OSAGE CITY, KANSAS
DISTRICT ACTIVITY FUNDS
Statement of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2011

| Funds | Beginning Unencumbered Cash Balance | Prior Year Cancelled Encumbrances | Cash Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Outstanding Encumbrances and Accounts Payable | Ending Cash Balance |
|--------------------------------------|-------------------------------------|-----------------------------------|---------------|--------------|----------------------------------|---|---------------------|
| Gate Receipts | | | | | | | |
| Elementary School | \$ 50 | \$ | \$ | \$ | \$ 50 | \$ | \$ 50 |
| Kids choir | | | | | | | |
| Middle School | 4,540 | | 10,388 | 11,749 | 3,179 | | 3,179 |
| Athletics | | | | | | | |
| High School | | | | | | | |
| O Club | 306 | | | 306 | 0 | | 0 |
| OC football | 4,794 | | 7,682 | 7,827 | 4,649 | | 4,649 |
| Athletics | 3,919 | | 22,358 | 23,807 | 2,470 | | 2,470 |
| Subtotal Gate Receipts | 13,609 | 0 | 40,428 | 43,689 | 10,348 | 0 | 10,348 |
| School Projects | | | | | | | |
| High School | | | | | | | |
| Color guard | 259 | | 938 | 511 | 686 | | 686 |
| Industrial technology | 0 | | 2,696 | 2,696 | 0 | | |
| Weightlifting fund | 449 | | | | 449 | | 449 |
| Baseball | 14 | | 868 | 741 | 141 | | 141 |
| Volleyball | 300 | | 3,358 | 3,166 | 492 | | 492 |
| Track | 0 | | | | 0 | | |
| Library fines | 52 | | | 52 | 0 | | |
| Horticulture | 1,041 | | | | 1,041 | | 1,041 |
| Junior Class Equipment | 162 | | 250 | 38 | 374 | | 374 |
| OCHS Pride fund | 1,995 | | 9,128 | 9,142 | 1,981 | | 1,981 |
| Scholarship fund | 0 | | | | 0 | | |
| High School Yearbook | 2,380 | | 8,630 | 8,965 | 2,045 | | 2,045 |
| High School technology fund | 1,335 | | 602 | | 1,937 | | 1,937 |
| ACCC fee fund | 1,237 | | 1,633 | 2,223 | 647 | | 647 |
| Technology solution | 0 | | 239 | 122 | 117 | | 117 |
| Middle School | | | | | | | |
| Middle School Yearbook | 2,650 | | 2,602 | 3,930 | 1,322 | | 1,322 |
| Subtotal School Projects | 11,874 | 0 | 30,944 | 31,586 | 11,232 | 0 | 11,232 |
| Total District Activity Funds | \$ 25,483 | \$ 0 | \$ 71,372 | \$ 75,275 | \$ 21,580 | \$ 0 | \$ 21,580 |

The notes to financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

USD No. 420 is a municipal corporation governed by an elected seven member board. The District as an entity has been defined to include, on a combined basis, (a) USD No. 420 (b) organizations for which USD No. 420 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with USD No. 420 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the District's report.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year 2011:

Governmental Funds

General Fund – To account for the resources except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to be expended for specified purposes.

Debt Service Funds – To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Fiduciary Funds

Agency Funds – To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles (GAAP)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursement, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenues and matured principle and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with United States generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements..

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Reimbursed Expenses

Expenditures in the amount of \$ -0- are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

time. There were budget amendments in the General Fund, At-Risk Fund, and Special Education Fund during the year 2011.

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the city for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds and trust funds and the following special revenue funds:

| | |
|------------------------------|--------------------------|
| Learning Tree Grant Fund | Title IIA Fund |
| District Activity Funds | Title IID Fund |
| Title I Fund | Contingency Reserve Fund |
| State Improvement Grant Fund | |

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimates.

NOTE 2 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the government is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices. The District had no investments during 2011.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (continued)

Custodial Credit Risk – Deposits (continued)

Home Loan Bank of Topeka, except during designated “peak periods” when required coverage is 50%. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the District’s carrying amount of deposits was \$ 1,405,093 and the bank balance was \$ 2,076,130. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions’ agents in the district’s name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – Defined Benefit Pension Plan

Plan Description – USD No. 420 participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees’ contributions are withheld by their employer and paid to KPERS according to the provisions of section 414 (h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas’ contributions to KPERS for the

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

year ended June 30, 2011 was \$ 188,864,352 with a remaining balance of \$ 64,969,692 which was received by July 12, 2011.

NOTE 4 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the county carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 5 – Compliance with Kansas Statutes

We noted no violations of Kansas Statutes during the period under examination.

NOTE 6 – Compensated Absences

Vacation is provided to central office employees and head high school and elementary secretaries (three weeks), custodians (two weeks), principals (one week) and the Superintendent (twenty days). All employees receiving vacation time are encouraged to use it timely. Vacation days not used during the year are not carried forward to the next year.

Employees receive one day per month worked for sick leave. Sick leave can accumulate as long as the employee is employed by the District. Accumulated sick leave will only be paid after the employee has been with the District ten years and leaves or retires, and then one out of each seven days accumulated will be paid up to a maximum of thirty days. An employee can forfeit two days of accumulated sick leave for one day of personal or professional leave. Maximum days that can be forfeited per year is six days.

Each employee receives two days per year for personal leave and two days per year bereavement leave.

The District has not accrued compensated absences because the amount cannot be reasonably estimated.

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Interfund Transactions

| <u>From</u> | <u>To</u> | <u>Statutory Authority</u> | <u>Amount</u> |
|---------------------------|---------------------------|--------------------------------|---------------|
| General Fund | Special Education Fund | K.S.A. 72-6428 | \$ 671,748 |
| General Fund | Vocational Education Fund | K.S.A. 72-6428 | 20,000 |
| General Fund | At-Risk Fund (K-12) | K.S.A. 72-6428 | 180,000 |
| Supplemental General Fund | At-Risk Fund (K-12) | K.S.A. 72-6425 | 215,240 |
| Supplemental General Fund | Food Service Fund | K.S.A. 72-6425 | 45,000 |
| Supplemental General Fund | Special Education Fund | K.S.A. 72-6425 | 45,820 |
| Supplemental General Fund | Vocational Education Fund | K.S.A. 72-6425 | 25,000 |

NOTE 8 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

NOTE 9 – Contingency

The District receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such disallowances, if any, will not be significant to the District's financial statements.

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – Subsequent Events

Subsequent events for management's review have been evaluated through October 7, 2011. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 11 – Cash Basis Exception

The State of Kansas statutes exempt all funds from a cash basis violation if the violation was as result of delayed payment by the state.

NOTE 12 – Compliance with K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d)

K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes:

NOTE - 12 (continued)

USD #420 OSAGE CITY, KANSAS
GENERAL FUNDSTATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | Variance- Favorable (Unfavorable) |
|--|------------------|---------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 459,451 | \$ 439,129 | \$ 20,322 |
| Delinquent tax | 10,447 | 5,507 | 4,940 |
| Motor vehicle tax | | | 0 |
| RV tax | | | 0 |
| Mineral production tax | | | 0 |
| Federal grants | 227,893 | 82,840 | 145,053 |
| State aid/grants | 4,157,711 | 4,461,847 | (304,136) |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| | <u>4,855,502</u> | <u>4,989,323</u> | <u>(133,821)</u> |
| EXPENDITURES | | | |
| Instruction | 2,166,820 | 2,002,347 | (164,473) |
| Student support services | 152,679 | 146,080 | (6,599) |
| Instruction support staff | 190,091 | 187,733 | (2,358) |
| General administration | 149,385 | 135,900 | (13,485) |
| School administration | 346,815 | 320,811 | (26,004) |
| Operations and maintenance | 731,290 | 486,975 | (244,315) |
| Student transportation services | 129,584 | 101,846 | (27,738) |
| Central support services | | | 0 |
| Other support services | 117,090 | 52,319 | (64,771) |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | 871,748 | 1,555,312 | 683,564 |
| Adjustment to comply with legal max | | (133,821) | (133,821) |
| Adjustment for qualifying budget credits | | 0 | 0 |
| | <u>4,855,502</u> | <u>\$ 4,855,502</u> | <u>\$ 0</u> |
| Receipts Over (Under) Expenditures | 0 | | |
| Unencumbered Cash, Beginning | 0 | | |
| Prior Year Cancelled Encumbrances | 0 | | |
| Unencumbered Cash, Ending | <u>\$ 0</u> | | |

NOTE - 12 (continued)

USD #420 OSAGE CITY, KANSAS
 SUPPLEMENTAL GENERAL FUND
 STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
 For the Year Ended June 30, 2011

| | <u>Actual</u> | <u>Budget</u> | Variance- Favorable (Unfavorable) |
|--|------------------|-------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 325,746 | \$ 364,498 | \$ (38,752) |
| Delinquent tax | 5,725 | 3,257 | 2,468 |
| Motor vehicle tax | 34,327 | 38,336 | (4,009) |
| RV tax | 589 | 639 | (50) |
| Mineral production tax | | | 0 |
| Federal grants | | | 0 |
| State aid/grants | 387,018 | 389,829 | (2,811) |
| Charges for services | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| | <u>753,405</u> | <u>796,559</u> | <u>(43,154)</u> |
| EXPENDITURES | | | |
| Instruction | 403,940 | 604,922 | 200,982 |
| Student support services | | | 0 |
| Instruction support staff | | | 0 |
| General administration | | | 0 |
| School administration | | | 0 |
| Operations and maintenance | | | 0 |
| Student transportation services | | | 0 |
| Central support services | | | 0 |
| Other support services | | | 0 |
| Food service operations | | | 0 |
| Student activities | | | 0 |
| Facility acquisition and construction services | | | 0 |
| Debt service | | | 0 |
| Operating transfers | 331,060 | 130,078 | (200,982) |
| Adjustment to comply with legal max | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| | <u>735,000</u> | <u>\$ 735,000</u> | <u>\$ 0</u> |
| Receipts Over (Under) Expenditures | 18,405 | | |
| Unencumbered Cash, Beginning | 0 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 18,405</u> | | |

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - Long-Term Debt
Changes in long-term liabilities for the District for the year ended June 30, 2011 were as follows:

| Issue | Interest Rate | Date of Issue | Amount of Issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions/ Payments | Net Change | Balance End of Year | Interest Paid |
|---|---------------|---------------|-----------------|------------------------|---------------------------|--------------|----------------------|--------------|---------------------|---------------|
| General Obligation Bonds | | | | | | | | | | |
| 2008 Issue | 2.30% - 4.10% | 7/23/08 | \$ 4,515,000 | 9/1/19 | \$ 4,190,000 | \$ 0 | \$ 350,000 | \$ (350,000) | \$ 3,840,000 | \$ 143,710 |
| Capital Leases: | | | | | | | | | | |
| None | | | | | | | | | 0 | |
| Total Long Term Debt | | | \$ 4,515,000 | | \$ 4,190,000 | \$ 0 | \$ 350,000 | \$ (350,000) | \$ 3,840,000 | \$ 143,710 |
| Current maturities of long-term debt for the next five year increments through maturity are as follows: | | | | | | | | | | |
| | | | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017-2020 | Total |
| Principal | | | | | | | | | | |
| General Obligation Bonds | \$ 365,000 | \$ 375,000 | \$ 390,000 | \$ 405,000 | \$ 425,000 | \$ 1,880,000 | \$ 3,840,000 | | | |
| Special Assessment Bonds | | | | | | | 0 | | | |
| Certificates of Participation | | | | | | | 0 | | | |
| Capital Leases | | | | | | | 0 | | | |
| Revenue Bonds | | | | | | | 0 | | | |
| No-Fund Warrants | | | | | | | 0 | | | |
| Temporary Notes | | | | | | | 0 | | | |
| Total Principal | \$ 365,000 | \$ 375,000 | \$ 390,000 | \$ 405,000 | \$ 425,000 | \$ 1,880,000 | \$ 3,840,000 | | | |
| Interest | | | | | | | | | | |
| General Obligation Bonds | 133,685 | 122,210 | 109,580 | 95,863 | 81,125 | 154,541 | 697,004 | | | |
| Special Assessment Bonds | | | | | | | 0 | | | |
| Certificates of Participation | | | | | | | 0 | | | |
| Capital Leases | | | | | | | 0 | | | |
| Revenue Bonds | | | | | | | 0 | | | |
| No-Fund Warrants | | | | | | | 0 | | | |
| Temporary Notes | | | | | | | 0 | | | |
| Total Interest | \$ 133,685 | \$ 122,210 | \$ 109,580 | \$ 95,863 | \$ 81,125 | \$ 154,541 | \$ 697,004 | | | |
| Total Principal and Interest | \$ 498,685 | \$ 497,210 | \$ 499,580 | \$ 500,863 | \$ 506,125 | \$ 2,034,541 | \$ 4,537,004 | | | |

The notes to the financial statements are an integral part of this statement.

Board of Education
Unified School District No. 420
Osage City, Kansas 66523

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL COMPLIANCE REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Unified School District No. 420, Osage City, Kansas as of and for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. In our report, our opinion was qualified due to the use of another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unified School District No. 420's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unified School District No. 420's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

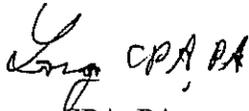
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Unified School District No. 420
Osage City, Kansas 66523

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 420's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Long CPA, PA
A Professional Association
Certified Public Accountants

October 7, 2011

Board of Education
Unified School District No. 420
Osage City, Kansas 66523

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Compliance

We have audited the compliance of Unified School District No. 420 Osage City, Kansas with the types of compliance requirements described in the U.S. Office Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. Unified School District No. 420's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Unified School District No. 420's management. Our responsibility is to express an opinion on Unified School District No. 420's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unified School District No. 420's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Unified School District No. 420's compliance with those requirements.

In our opinion, Unified School District No. 420 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Board of Education
Unified School District No. 420
Osage City, Kansas 66523

Internal Control Over Compliance

The management of Unified School District No. 420 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Unified School District No. 420's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Long CPA, PA
A Professional Association
Certified Public Accountant

October 7, 2011

UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2011

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass- Through Grantor Number | Federal Expenditures |
|--|---------------------------|---------------------------------------|-------------------------|
| <hr/> | | | |
| U.S. Department of Education | | | |
| <hr/> | | | |
| Passed through State Department of Education: | | | |
| Title I | 84.010 | * | \$ 104,029 |
| Title II - Teacher Quality | 84.367 | * | 29,207 |
| Title II - Tech Literacy | 84.318 | * | 352 |
| Title II - Tech Literacy - ARRA | 84.386 | * | 2,284 |
| Title I Low Income - ARRA | 84.389 | * | 58,730 |
| Stabilization - ARRA | 84.394 | * | 82,840 |
| Education Jobs Fund | 84.410 | * | 145,053 |
| <hr/> | | | |
| U.S. Department of Agriculture | | | |
| <hr/> | | | |
| Passed through State Department of Education: | | | |
| School Breakfast Program | 10.553 | * | 32,474 |
| National School Lunch Program | 10.555 | * | 143,318 |
| Total Federal Assistance | | | <u>\$ 598,287</u> |

* Not available

OSAGE CITY UNIFIED SCHOOL DISTRICT #420
Osage City, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2011

A. Summary of Audit Results

1. The auditors' report expresses a qualified opinion on the general purpose financial statements of Osage City USD #420.
2. No reportable conditions relating to the audit of the general purpose financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on a Audit of Financial Statements Performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the general purpose financial statements of Osage City USD #420 were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Osage City USD #420 expresses an unqualified opinion on all major federal programs.
5. Audit findings relative to the major federal award programs for Osage City USD #420 are reported in this schedule.
6. The programs tested as major programs included:
Department of Education
Stabilization Grant – ARRA CFDA No. 84.394
Education Jobs Fund CFDA 84.410
7. Osage City USD #420 was not determined to be a low-risk auditee.
8. The threshold for distinguishing types A and B programs was \$300,000.

B. Findings – Financial Statement Audit
None

C. Findings and Questioned Costs – Major Federal Awards Programs Audit
Department of Education
Stabilization Grant – ARRA CFDA No. 84.394
Education Jobs Fund CFDA 84.410

No findings of noncompliance or questioned costs were noted.

The accompanying notes to financial statements are an integral part of this statement

OSAGE CITY UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Unified School District No. 420 Osage City, Kansas and is presented on the statutory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Statutory Basis of Accounting – The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

Unified School District No. 420 has obtained a waiver from generally accepted accounting principles which allows the district to revert to statutory basis of accounting.

Departure from Generally Accepted Accounting Principles – The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and mature principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

OSAGE CITY UNIFIED SCHOOL DISTRICT NO. 420
Osage City, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1 – Basis of Accounting (continued)

Departure from Generally Accepted Account Principles (ctd.) - General fixed assets that account for the land, buildings, and equipment owned by the district are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

NOTE 2 – Pass-Through Awards

Unified School District No. 420 receives certain federal awards in the form of pass-through awards from the State of Kansas. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

NOTE 3 – Major Programs

In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. The Stabilization Grant (ARRA) and Education Jobs Fund have been determined by the independent auditor to be a major programs.

NOTE 4 – Contingencies

The District receives funds under various federal grant programs and such awards are to be expended in accordance with provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Managements believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.